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February 23, 2006

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station, 2<sup>nd</sup> Floor  
Boston, MA 02110

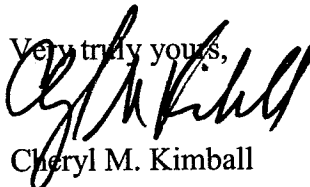
Re: Request for Approval of Natural Gas Asset Optimization Service Contract, D.T.E. 06-9

Dear Secretary Cottrell:

Filed herewith are the responses of KeySpan Energy Delivery New England<sup>1</sup> ("KeySpan" or the "Company") to the First Set of Information Requests issued by the Department of Telecommunications and Energy (the "Department") in the above-referenced proceeding.

Please note that information provided in response to Information Requests DTE 1-3; DTE 1-6 and DTE 1-9 contain confidential information that is the subject of a Motion for Confidentiality filed with the Department on January 30, 2006. Accordingly, the Company is submitting redacted copies of the responses for the public record, along with the confidential responses. The Company will submit the confidential responses to the Attorney General pursuant to a non-disclosure agreement.

Thank you for your consideration and assistance in this matter.

Very truly yours,  
  
Cheryl M. Kimball

Enclosures

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<sup>1</sup> KeySpan Energy Delivery New England is comprised of Boston Gas Company ("Boston Gas"), Colonial Gas Company ("Colonial"), Essex Gas Company ("Essex"), and in New Hampshire, EnergyNorth Natural Gas, Inc. ("Energy North"). For the purposes of this filing, "KeySpan" will refer to the Company's Massachusetts LDC operations.

Letter to Secretary Cottrell

February 23, 2006

Page 2 of 2

cc: Andrew O. Kaplan, General Counsel  
George Yiankos, Director, Gas Division  
Andréas Thanos, Assistant Director, Gas Division  
Joseph Rogers, Assistant Attorney General

FIRST SET OF INFORMATION REQUESTS OF  
THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY  
TO KEYSpan ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Respondent: Elizabeth D. Arangio

Information Request DTE 1-1

- Q. Please refer to the prefiled testimony of Elizabeth D. Arangio, Exhibit EDA-1. What are the different functions that Merrill Lynch Commodities, Inc. ("MLCI") and KeySpan Corporate Services, LLC ("KSCS") will perform under the Agreement?
- A. The matrix below presents the range of functions that will be performed by MLCI and KSCS under the agreement:

Function	Performed by KeySpan	Performed by MLCI
Long-term Planning	X	
Short-term Planning	X	
Daily Planning	X	
Capacity Contracting	X	
Load Forecasting	X	
Long-Term Supply Purchasing	X	
Short-Term Supply Purchasing	X	X
Underground Storage Refill	X	X
Daily Balancing	X	
LNG/Propane Storage Refill	X	
Nominations/Scheduling	X	X
Citygate Confirmations	X	
Invoice Verification	X	X
Asset Optimization Opportunities	X	X
Fixed Price Purchasing Program Execution	X	
Customer Choice Capacity Releases	X	

FIRST SET OF INFORMATION REQUESTS OF  
THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY  
TO KEYSpan ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Respondent: Elizabeth D. Arangio

Information Request DTE 1-2

- Q. Please refer to Exhibit EDA-1, at 5-6. Provide documentation to show that the competitive solicitation process which KeySpan used to select MLCI as the winning bidder was fair, open, and transparent.
- A. On June 17, 2005, KeySpan issued a "Request for Proposals" for gas-resource optimization services to a list of bidders who were identified in the March 14, 2005 issue of Gas Daily as "Top North American Gas Marketers." The RFP that was sent to bidders is provided as Attachment DTE-1-2(a). Prior to sending the RFP to these entities, KeySpan's credit group reviewed the credit ratings of each marketer and verified their presence on the list as of June 15, 2005 (just prior to the issuance of the RFP). In addition to the entities on the Gas Daily list, KeySpan sent the RFP to DTE Energy, Constellation Energy and four financial entities. The list of Potential Bidders is provided herewith as Attachment DTE-1-2(b).

In total, KeySpan solicited bids from 23 entities with initial bids due on July 15, 2005. Of the 23 entities solicited, 14 potential bidders executed a confidentiality agreement with the Company, indicating their intent to respond to the RFP. The initial bid date was later extended to July 29, 2005 to allow ample time for responses. However, out of the 14 parties who indicated their intent to bid, KeySpan received only four bids. These bids were received from: Coral Energy Resources, L.P. ("Coral"); Merrill Lynch Commodities Inc ("MLCI"); Tenaska Marketing Ventures ("TMV"), and ConocoPhillips Gas & Power ("ConocoPhillips"). Only two of these bids were for the three-year term sought by the Company (MLCI and ConocoPhillips). However, after a period of internal review, KeySpan decided to commence negotiations with all four bidders.

On September 7, 2005, and following the devastation in the Gulf by Hurricanes Katrina and Rita, KeySpan requested all four competitors to refresh their bids. KeySpan received the refreshed bids on September 13, 2005. The Company then narrowed the field to two bidders, MLCI and the next highest bidder, and renewed negotiations with these two entities. At the end of December 2005, ConocoPhillips withdrew from negotiations and KeySpan worked to negotiate final terms and conditions with MLCI.

June 17, 2005

Dear Bidder,

Boston Gas Company, Colonial Gas Company, and Essex Gas Company, each d/b/a KeySpan Energy Delivery New England by their agent KeySpan Corporate Services LLC ("KeySpan"), request your proposal to manage certain upstream gas supply, interstate transportation and underground storage assets, as well as provide the Company's city gate gas supply requirements associated with those gas supply, interstate transportation and underground storage assets for the period April 1, 2006 through and including March 31, 2008. At KeySpan's option, the arrangement could be extended for up to two additional one-year periods.

Enclosed find the Request for Proposals, with the following exhibits (either attached or to be provided upon receipt of two executed originals of the Confidentiality Agreement attached as Exhibit H, as noted):

- Exhibit A Notice of Intent to Respond Form (attached),
- Exhibit B Bidder Qualification Questionnaire (attached),
- Exhibit C Gas Resource Portfolio Management and Gas Sales Agreement (to be provided upon receipt of Confidentiality Agreement),
- Exhibit D Gas Supply, Transportation and Storage Assets (to be provided upon receipt of Confidentiality Agreement),
- Exhibit E Tiered Pricing Structure (to be provided upon receipt of Confidentiality Agreement),
- Exhibit F Storage Rule Curve (to be provided upon receipt of Confidentiality Agreement),
- Exhibit G RFP Evaluation Criteria (attached), and
- Exhibit H Confidentiality Agreement (attached).

**Your bid is due by 5:00 p.m. EST July 15, 2005.**

If you have any questions, please don't hesitate to contact me in writing by June 30, 2005 at [jpradas@keyspanenergy.com](mailto:jpradas@keyspanenergy.com). We will respond to your questions in writing by July 8, 2005. All questions and responses will be distributed to all potential bidders who have submitted a Notice of Intent to Respond Form (Exhibit A) and two executed originals of the Confidentiality Agreement (Exhibit H).

Please complete and return the Notice of Intent to Respond Form and Confidentiality Agreement on or before 4:00 p.m. EST June 30, 2005. While your response on the Notice of Intent to Respond Form is non-binding, your failure to return the form and the Confidentiality Agreement by June 30 means we will not send you subsequent correspondence about this RFP, including copies of all questions from potential bidders and our responses to those questions.

Regards,

Joseph G. Pradas  
Director Strategic Execution and Compliance

enc.

**Request For Proposals**

**For  
Portfolio Management Services  
On Behalf Of  
Boston Gas Company, Colonial Gas Company,  
And Essex Gas Company, All  
D/B/A  
KeySpan Energy Delivery New England**

**Dated: June 17, 2005**

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Exhibits:	A. Notice of Intent to Respond Form	
	B. Bidder Qualification Questionnaire	
	C. Gas Resource Portfolio Management and Gas Sales Agreement	
	D. Gas Supply, Transportation and Storage Assets	
	E. Tiered Pricing Structure	
	F. Storage Rule Curve	
	G. RFP Evaluation Criteria	
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## **REQUEST FOR PROPOSALS**

Boston Gas Company, Colonial Gas Company and Essex Gas Company all d/b/a KeySpan Energy Delivery New England by their agent KeySpan Corporate Services LLC (collectively "KeySpan") seek proposals, through this Request for Proposals ("RFP"), for the provision of gas portfolio management services.

### **I. PROPOSAL SUBMISSION**

All vendors are requested to complete the Notice of Intent to Respond Form on or before 4:00 p.m. EST on June 30, 2005. The Notice of Intent to Respond is attached hereto as Exhibit A. While your response on the Notice of Intent to Respond Form is non-binding, your failure to return the form by June 30 means we will not send you subsequent correspondence about this RFP, including copies of all questions from potential bidders and our responses to those questions.

In order to receive copies of Exhibits C, D, E, and F hereto, as well as copies of all questions from potential bidders and our responses to those questions, you must also complete, execute and return two (2) originals of the Confidentiality Agreement attached hereto as Exhibit H on or before June 30, 2005. This Request for Proposals is deemed confidential and shall be shown only to the Bidder's personnel who have a need for the information contained herein for the purposes of preparing the Bidder's response. Bidder may request that specific information contained in or relative to its response be treated by KeySpan on a confidential basis. Such a request shall be clearly stated on every page of the response on which confidential information may appear. KeySpan and its representatives shall take reasonable steps to protect information that is clearly identified as confidential from disclosure to third parties. Bidders should understand that KeySpan may deem it necessary to disclose confidential information regarding the Request for Proposals. Upon request by Bidder and at Bidder's expense, KeySpan shall request that, in connection with any submission to any governmental authority having jurisdictional or oversight responsibilities for KeySpan procurement activities, any information designated as confidential by the Bidder shall be afforded competitively sensitive and proprietary status under the applicable regulations and thus protected from disclosure to third parties; provided, however, that KeySpan does not guarantee that Bidder's information shall be granted such status. In no event shall KeySpan be liable for damages resulting from any inadvertent disclosure of confidential information.

Four (4) hard copies (in a sealed package or packages) and one electronic copy of your proposal are due no later than **5:00 pm EST on July 15, 2005**. All materials should be delivered to:

**Joseph G. Pradas**  
**Director Strategic Execution and Compliance**  
**KeySpan**  
**303 Merrick Road**  
**Suite 501**  
**Lynbrook, NY 11563**  
[jpradas@keyspanenergy.com](mailto:jpradas@keyspanenergy.com)

Proposals received after this deadline will not be considered, nor will faxed proposals, whenever received. Interviews of the top-qualifying firms may be conducted at KeySpan's discretion.



All contact and questions with regard to this RFP must be made **only** through the KeySpan Selected Representative. Vendors are encouraged to contact the KeySpan Selected Representative with questions and/or clarifications that vendors may have regarding understanding and answering this RFP. No other contact regarding this RFP with parties within or associated with KeySpan will be allowed during the RFP period and will be grounds for disqualification.

For the purposes of this RFP, the KeySpan Selected Representative is:

**Joseph G. Pradas**  
**Director Strategic Execution and Compliance**  
**KeySpan**  
**303 Merrick Road**  
**Suite 501**  
**Lynbrook, NY 11563**  
**jpradas@keyspanenergy.com**

**All questions regarding this RFP must be submitted in writing through email to jpradas@keyspanenergy.com on or before June 30, 2005, by 4:00 EST. KeySpan will respond with written answers by July 8, 2005. KeySpan will provide all questions and responses to all potential bidders who have returned a Notice of Intent to Respond Form and Confidentiality Agreement.**

KeySpan will not reimburse Bidders for any expenses incurred in connection with this RFP including the costs of preparing the response and/or providing any additional information and travel expenses relating to an interview. All material that is submitted in response to this RFP will become the sole property of KeySpan.

## **II. PROPOSAL REQUIREMENTS**

Following is a listing of the information to be included in the proposal. A proposal that does not include all of the information requested below shall be deemed non-responsive and subject to rejection. **The proposal must respond to all the areas listed below, in the order listed, and conclude with a separate section on Bidder's proposed fees/pricing to provide the services.**

### **A. Management and Qualifications**

KeySpan contemplates negotiating a definitive agreement with a firm having demonstrated capability in cost-effective natural gas supply portfolio management and risk management and, where applicable, commodity transportation and storage. KeySpan believes it is appropriate that each Bidder state its qualifications in each of these and any other relevant areas as part of its bid submittal. KeySpan seeks verifiable information demonstrating financial strength and experience in the field of energy supply portfolio management, risk management, commodity transportation and storage. To that end, KeySpan requires that the Bidders:

1. Provide the name, title, address, telephone and fax numbers, and e-mail address of at least two individuals KeySpan should contact with respect to your proposal. Identify one of these individuals as the primary contact available to KeySpan throughout the RFP process.
2. Complete the Bidder Qualification Questionnaire attached hereto as Exhibit B.

**B. Other**

1. Identify any exceptions to the Agreement attached as Exhibit C and indicate suggested alternate language for the exceptions. The nature and extent of exceptions, if any, taken by a Bidder to the Agreement will be a factor considered by KeySpan when evaluating the proposals. In the absence of defined exceptions, your proposal will be accepted as in total compliance with these documents.
2. This RFP does not commit KeySpan to award a contract, pay any costs associated with the preparation of a proposal, or procure or contract for services of any kind whatsoever. KeySpan reserves the right, in its sole discretion, to accept or reject any or all responses to this RFP, to negotiate with any and all considered firms, or to cancel this RFP in whole or in part. KeySpan reserves the right to request additional information from any or all Bidders.
3. Your response to this RFP will serve as the basis for any agreement between the parties, and will represent a **firm offer** to provide to KeySpan the gas portfolio management services as detailed in this RFP and the attached exhibits. Statements made in your proposal are binding; therefore, a representative of your company that is authorized to do so must sign your proposal. Your firm is required to honor the price quote and other terms in your proposal until November 1, 2005. The price you quote must be inclusive of all hardware, software, services, and taxes required for performing the gas portfolio management services. If your price excludes certain fees or charges, you must provide a detailed list of fees with a complete explanation of the nature of these fees.
4. Prior to the time and date designated for receipt of proposals, any proposal already submitted may be modified or withdrawn by notice to the party receiving the proposals at the place designated for receipt of proposals. Such notice shall be in writing and signed by the Bidder prior to the date and time set for the receipt of proposals, and shall be so worded as not to reveal the key provisions, including but not limited to pricing terms, of the original proposal. Withdrawn proposals may be resubmitted, and modified proposals may be submitted, up to the date and time designated for the receipt of proposals provided that they are then fully in conformance with the RFP.
5. KeySpan may waive minor informalities or irregularities in a proposal that are merely a matter of form and not substance and the correction of which would not be prejudicial to other proposals. **Failure to submit a proposal on time will not be waived by KeySpan under any circumstance.**

### **C. Errors and Omissions in the RFP**

If a vendor discovers any ambiguity, conflict, discrepancy, omission or other error in this RFP, it should immediately notify Joseph Pradas, in writing, of such error and request clarification or modification to the RFP.

If a Bidder fails to notify KeySpan of a known error or an error that reasonably should have been known prior to the final filing date for submission, the Bidder assumes the risk. If awarded the contract, the Bidder shall not be entitled to additional compensation or time by reason of the error or its late correction.

Should KeySpan find it necessary, it will make modifications to the RFP by addenda. Such modifications may be given by written notice to all parties who have been furnished an RFP.

### **III. OVERVIEW AND OBJECTIVE**

Boston Gas Company, Colonial Gas Company, and Essex Gas Company all d/b/a KeySpan Energy Delivery New England operate in the Commonwealth of Massachusetts as regulated natural gas distribution utilities. As such, KeySpan is responsible for all aspects of the management of gas supply, transportation and storage assets that comprise its portfolio as well as the economic dispatch of liquefied natural gas ("LNG") storage. KeySpan's priority is the reliability of gas supply for its firm gas customers. KeySpan strives to achieve this on a least-cost basis.

KeySpan is responsible for: planning the long-term strategic and short-term daily optimization of its natural gas portfolio; procuring natural gas supplies for its utility customers; marketing gas supply and services to off-system customers (as part of maximizing the value of the portfolio for utility ratepayers); reconciling pipeline and supplier invoices; and performing other accounting and administrative activities. KeySpan's Unbundling Program requires mandatory assignment of capacity for marketers whose aggregation pools reach certain capacity thresholds and adjustments (additional assignment of capacity or recall of capacity) if the marketer's pool increases or decreases by a certain amount. The assignment program is based on a "slice of the system" approach under which each marketer is given a prorated share of each of KeySpan's contracts serving their aggregation pool. Recalls and reassignments of capacity when required are effective the first of each month.

KeySpan manages the natural gas requirements of approximately 820,000 natural gas customers whose consumption totals approximately 122 Bcf annually (normalized) with a 1.2 Bcf peak day.

KeySpan requests proposals for the provision of portfolio management services. The objective of the portfolio management agreement is to enable KeySpan to continue to provide reliable service to its gas customers at the least possible cost. The Agreement for these portfolio management services will have an initial term of two years commencing April 1, 2006, and an option, at KeySpan's discretion, to extend the term for up to two additional one-year periods. In connection with the use of KeySpan's gas supply, transportation and storage assets identified in Exhibit D attached hereto

(the "Assets"), Bidders may propose a guaranteed payment to KeySpan, a sharing of net profits, a combination of the two, or any other similar arrangement in which value can be easily quantified.

#### **IV. SCOPE OF SERVICES**

KeySpan will assign or release to the successful Bidder ("Portfolio Manager") the Assets, unless the asset is identified on Exhibit D as "Company Managed," subject to KeySpan's ongoing right to modify the Assets. The Portfolio Manager shall provide bundled gas supply service to KeySpan pursuant to the Agreement through the use of the Assets and/or the use of other gas supply assets it owns or procures separately.

Subject to satisfaction of its requirements under the Agreement, Portfolio Manager shall have the right to utilize the Assets to generate additional revenues. In connection with the Assets, the Portfolio Manager shall be responsible for all day to day scheduling, nominations, notifications, risk management services, billing, payment and administration. Portfolio Manager shall be liable for all costs incurred in connection with the Assets during the term of the Agreement and shall be responsible for prompt payment of all invoices in connection therewith.

Without the express written consent of KeySpan, Portfolio Manager shall not amend or modify the Assets. Further, Portfolio Manager shall comply with all contractual requirements of the Assets and shall not take any action that will diminish the value of such Assets. In connection with its utilization of the Assets, Portfolio Manager shall comply with all laws, rules and regulations of the Federal Energy Regulatory Commission ("FERC"), the Massachusetts Department of Telecommunications and Energy ("DTE") and any other governmental or regulatory body having jurisdiction. Portfolio Manager shall provide KeySpan with such reports and documentation as KeySpan determines are required to satisfy KeySpan's internal accounting requirements, to satisfy requests by regulatory agencies, and as are otherwise deemed necessary by KeySpan. Bidders should include as part of their bid response package examples of the types of reports that they are willing and able to provide to KeySpan and the frequency with which those reports could be made available.

#### **V. AGREEMENT**

Gas Supply Obligations: Pursuant to the Agreement, Portfolio Manager shall be obligated to satisfy KeySpan's ("Buyer's") gas supply requirements as follows:

Portfolio Manager will manage certain upstream gas supply, interstate transportation and underground storage assets and provide a bundled city gate service to meet Buyer's gas supply requirements associated with these assets over the Term. Additionally, upon hitting a storage ratchet based on Buyer's Paper Storage Balance, Seller shall remain obligated to sell and deliver up to Buyer's MDQ; however, in that event, Buyer may elect to satisfy its city gate requirements through the utilization of Company Managed Assets and/or the purchase from a third party up to Buyer's MDQ.

Portfolio Manager will provide Buyer up to the total requirements on the Tennessee and Algonquin interstate pipelines (See Exhibit D). This MDQ may change on a monthly basis subject to Buyer's state-approved gas unbundling program.

Buyer will nominate to Portfolio Manager on a daily, intraday and monthly basis its city gate gas supply requirements associated with the released/assigned assets.

In each contract year during the Term, Portfolio Manager will (i) by October 31<sup>st</sup>, fill all of Buyer's storage requirements to at least 95% of the Storage Rule Curve, (ii) by December 1<sup>st</sup>, be at the Storage Rule Curve, and (iii) by the end of each Month thereafter up through and including April, maintain storage levels of no less than the lower of the Paper Storage Balance or the Storage Rule Curve. Portfolio Manager will be allowed to fall below these Storage Rule Curve requirements during any month so long as by the third business day prior to the end of such month the storage level meets or exceeds the lower of the Paper Storage Balance or the Storage Rule Curve.

Price: Buyer intends to pay Portfolio Manager for gas supply as follows:

a. Demand Charges – Buyer will reimburse Portfolio Manager for all demand charges associated with the Assets reasonably incurred and paid by Portfolio Manager in connection with the use of the Assets to meet Buyer's gas supply requirements.

b. Variable Charges – For gas delivered by Portfolio Manager pursuant to the Agreement, Buyer will pay Portfolio Manager in accordance with the Tiers and the order set by KeySpan for the Tiers as described in the Agreement. The Tiered Pricing Structure for April 1, 2006, and November 1, 2006 is attached hereto as Exhibit E.

c. Revisions - Buyer will have the right to revise the foregoing tiered pricing structure to reflect revisions in the Assets (*e.g.*, as assets terminate in the event contracts are not renewed) and/or significant market changes. Buyer will make any such revisions to the Tiered Pricing Structure on September 15<sup>th</sup> for the succeeding November through April period and monthly, May through October, during Bid Week. Such revisions may result in additions to or deletions from the Assets listed in Exhibit D.

Exhibit G sets forth the criteria upon which Bidders' responses will be evaluated.

**Exhibit A**

**Notice of Intent to Respond**

All vendors are requested to complete the following form, indicating whether or not they intend to participate in KeySpan's RFP process **no later than 4:00 p.m. EST on June 30, 2005.**

**Gas Resource Portfolio Management Services**

**To: Joseph G. Pradas**  
**Director Strategic Execution and Compliance**  
**KeySpan**  
**303 Merrick Road, Suite 501**  
**Lynbrook, NY 11563**  
**jpradas@keyspanenergy.com**  
**Fax (516) 256-2814**

**From:** Company Name \_\_\_\_\_  
Company Address \_\_\_\_\_  
Contact Name \_\_\_\_\_  
City, State, Zip \_\_\_\_\_  
Phone \_\_\_\_\_ Cell Phone \_\_\_\_\_  
Fax \_\_\_\_\_  
Email Address \_\_\_\_\_

Vendor agrees to the terms outlined in the RFP. Vendor further acknowledges that KeySpan is in no way obligated to purchase any good or services until such time as contracts and agreements are executed, if indeed your firm is chosen for future consideration in the selection process. While your response on this form is non-binding, your failure to return the form by June 30, 2005 means KeySpan will not send you subsequent correspondence about this RFP, including copies of all questions from potential bidders and KeySpan's responses to those questions.

**Please indicate whether or not you intend to submit a proposal to the RFP:**

**We intend to submit a proposal to the RFP no later than July 15, 2005:**

**YES \_\_\_\_ NO \_\_\_\_**

\_\_\_\_\_  
Company Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Contact Name & Title (please print)

## **Exhibit B**

### **Bidder Qualification Questionnaire**

1. Identify any prior or current work for Boston Gas Company, Colonial Gas Company, Essex Gas Company, or KeySpan Corporation, including any subsidiaries or affiliates.
2. Describe the team that will be assigned to this engagement, including past experience providing the same or similar services as requested in the RFP. Identify the individuals who will be involved and the primary role and responsibilities of each member. Provide resumes for these individuals.
3. Identify any subcontractors and agents that may be utilized as part of your firm's proposed team.
4. Identify any additional tasks (*e.g.*, on-going or one-time) that your firm believes need to be covered in this engagement that were not identified in the Scope of Services section or the form of Gas Resource Portfolio Management and Gas Sales Agreement ("Agreement") attached hereto as Exhibit C. Describe why you believe each task is relevant.
5. Provide the name, address and telephone number of at least three references for whom you have provided similar services.
6. Discuss any past or present civil or criminal investigations, pertinent litigation and/or regulatory action involving your firm or any of its employees that could impact your firm's role or ability to perform the relevant services, including the strength of its financial commitments and guarantees. If none, include a statement that there are no past or present civil or criminal legal investigations, or pertinent litigation and/or regulatory actions that could impact your ability to serve in the required capacity.
7. List all mergers or acquisitions that your company has been a party to in the past five years. List all previous names under which business was conducted and the year the merger or acquisition was completed. State how these mergers or acquisitions have improved your organization's ability to operate and serve its customers.
8. State whether your company ever filed for bankruptcy. If it has, state when and explain.
9. Provide your company's Dun & Bradstreet DUNS number.
10. Provide evidence of your capabilities to create and maintain records and provide documentation that will permit KeySpan to meet its contractual and/or regulatory reporting requirements in a timely manner. KeySpan may perform an initial audit of each Bidder during the proposal evaluation process.

11. Provide information sufficient to establish suitable creditworthiness relative to the level of financial risk KeySpan would assume if it accepts your proposal. This information will be reviewed by KeySpan's Credit Department.
12. Provide your (or your guaranteeing parent's, if applicable) audited annual report and Form 10-K for the most recent full fiscal year and previous two years. If a Form 10-K is unavailable, provide documentation regarding investments, size and type of borrowings, ability to add additional debt and credit quality.
13. Areas of Expertise - Energy Supply Portfolio Management  
Please describe in detail your organization's expertise and experience in the following areas:
  - a. Natural gas;
  - b. Upstream gas transportation and optimization of storage management;
  - c. Financial instruments and techniques used to manage risk involving:
    - i. Natural gas; and
    - ii. Basis for natural gas.
  - d. Gas and utility asset management and interface with related operations personnel including type of assets managed, size, activity, length of agreement, location and any other pertinent information;
  - e. Information systems support - gas and risk management transactions;
  - f. Logistical or back office support;
  - g. FERC and Massachusetts DTE regulatory matters; and
  - h. Economic analysis in commodity markets.
14. Strengths  
Please address the strengths of your organization as follows:
  - a. Describe how you would integrate your current market participation in the Northeastern United States with the services under this RFP;
  - b. Describe your organization's strengths as an energy manager in the Northeast energy market;
  - c. Provide information relating to specific energy assets owned, including location, quantity and any other pertinent information;



- d. Describe your organization's size in relation to other gas and power marketers and the importance of relative size to successfully provide energy supply portfolio management services;
  - e. Describe what sets your organization apart from other large energy service companies;
  - f. Describe any recent innovations initiated by your organization in the area of gas supply or derivatives;
  - g. Describe any unique concepts by which your organization would provide the services under this RFP to KeySpan, including the enhanced value such concepts would bring to the KeySpan companies; and
  - h. Describe the size and experience of your gas scheduling department, specifically in the Northeast.
15. Experience Level
- a. State the energy commodity (gas, power, oil and emissions) that your organization has the least experience trading or that provides you with the smallest profit margin; and
  - b. Describe the assets that your organization requires to strengthen its position in the energy marketplace.
16. Corporate Strategy
- Please address the corporate strategy and experience of your organization as follows:
- a. Discuss your organization's strategy and experience regarding services for other energy companies;
  - b. Describe the optimum corporate structure and asset portfolio of a premier Northeast energy trading entity;
  - c. Describe the optimum corporate culture of an energy manager providing the services under this RFP;
  - d. Describe how you would perform the services under this RFP to compete successfully in the Northeast energy marketplace;
  - e. Describe what authority level limits will apply to your organization from any parent entity, if any, regarding your performance of the services under this RFP.

17. Regulatory Matters

- a. Describe any concerns that your organization would have if it were required to abide by KeySpan's existing regulatory constraints.
- b. Describe your organization's knowledge of gas and electric utility rates and ratemaking practices.

18. Conflicts of Interest

- a. Identify all potential conflicts of interest, including any related regulatory issues, which might arise in connection with the performance of the proposed services under this RFP, including, but not limited to:
  - i. management of other energy assets in Northeast region;
  - ii. management of your organization's assets; and
  - iii. sales or management of gas and/or electric within KeySpan's service territory and neighboring areas; and
- b. Describe potential methods to eliminate or otherwise address the conflicts of interest and related regulatory compliance issues described above.

19. Additional Information

- a. Please offer any additional information that will help KeySpan differentiate your organization from others as far as the value you bring to the proposed portfolio management arrangement.
- b. Describe the type of gas management system that you use
- c. Describe the type of risk management system that you use.

20. Transition Plans

Describe your plans to transition the Portfolio Manager function to your organization for the term of the agreement. Describe your plans to transition this function to another organization once the agreement has terminated.

**Exhibit C**

**Form of Service Agreement**

**To Be Provided Upon Receipt of Confidentiality Agreement**

**Exhibit D**  
**Gas Supply, Transportation and Storage Assets**

**To Be Provided Upon Receipt of Confidentiality Agreement**

**Exhibit E**  
**Tiered Pricing Structure**

**To Be Provided Upon Receipt of Confidentiality Agreement**

**Exhibit F**  
**Storage Rule Curve**

**To Be Provided Upon Receipt of Confidentiality Agreement**

## Exhibit G

### RFP Evaluation Criteria

Criteria	Points
Price (Least Cost Planning)	35
Experience	20
Flexibility	15
Contract Exceptions (minimum #)	10
Creditworthiness	20
<b>Total</b>	<b>100</b>

#### **Price:**

- Favorable commodity pricing terms to meet firm sendout requirements
- Management Fee payable to KeySpan

#### **Experience:**

- Overall asset management experience
- Familiarity with the Northeast market
- Ability to meet generally accepted industry reporting requirements

#### **Flexibility:**

- Diversity of supply, including reserves and production area resources
- Ability to rely on additional resources to ensure supply reliability
- Access to storage
- Peaking services
- Lack of conflict of interest

#### **Contract Exceptions:**

- Fewest number of material contract exceptions

#### **Creditworthiness:**

- Financial integrity
- Financial strength
- Standard & Poor's and Moody's credit rating
- Reputation

**Exhibit H**

**CONFIDENTIALITY AGREEMENT**

This Confidentiality Agreement ("Agreement"), entered into and effective as of the day of \_\_\_\_\_, 2005 (the "Effective Date"), is by and between \_\_\_\_\_, a \_\_\_\_\_ corporation ("\_\_\_\_\_"), with its principal place of business at \_\_\_\_\_, and Boston Gas Company, Colonial Gas Company, and Essex Gas Company, all d/b/a KeySpan Energy Delivery New England ("KeySpan"), with its principal place of business located at 52 Second Avenue, Waltham, MA, 02451 by its agent KeySpan Corporate Services LLC. \_\_\_\_\_ and KeySpan shall be referred to individually as a "Party" and collectively as the "Parties" in this Agreement.

**Recitals:**

A. The Parties wish to discuss the possibility of \_\_\_\_\_ providing portfolio management services to KeySpan (the "Proposed Undertaking").

B. The Parties expect that in furtherance of or in connection with the Proposed Undertaking, the Parties will receive Confidential Information (as defined below) from each other.

C. The Parties wish to define in this Agreement their respective rights and obligations with respect to Confidential Information.

In consideration of the mutual agreements, covenants, and conditions contained herein, the Parties agree as follows:

1. **Confidential Information.** As used herein, the term "Confidential Information" means information that is of a non-public and confidential nature to the Party disclosing such information (the "Disclosing Party") revealed directly or indirectly to Receiving Party in connection with the Proposed Undertaking, whether written, electronic, graphic or oral, including, but not limited to any and all information and data exchanged as part of the Request for Proposals for Portfolio Management Services on Behalf of Boston Gas Company, Colonial Gas Company, and Essex Gas Company, all d/b/a KeySpan Energy Delivery New England, and any and all information and data, technical or non-technical relating to the Disclosing Party's products; past, present and future sales, marketing, and trading information; business strategies; nominating, scheduling, accounting, billing, and reporting data; and commercial and financial trade secrets.
2. **Exceptions.** Notwithstanding the provisions of Section 1, the term "Confidential Information" shall not include any information received by a Party (the "Receiving Party") from the Disclosing Party, to the extent such information:
  - (i) was, prior to disclosure by the Disclosing Party, available to the Receiving Party on a non-confidential basis, or was otherwise in the public domain other than through the act or omission of the Receiving Party or its Representatives;



- (ii) is or becomes, at the time of or following disclosure, available to the Receiving Party or the public (other than as a result of disclosure in violation of this Agreement) from a source other than the Disclosing Party; or
- (iii) is independently developed by the Receiving Party without relying on the Confidential Information, as evidenced by written records.

**3. Limitations on Disclosure.** The Receiving Party may not disclose Confidential Information received hereunder to any other person or party, except that Confidential Information may be disclosed (i) when requested or required to be disclosed to a third party to whom the Receiving Party is or becomes legally compelled by any governmental, judicial, or regulatory authority with jurisdiction to make disclosure of Confidential Information (*e.g.*, by order, deposition, interrogatory, investigative demand, request for documents, subpoena or similar process or rule of procedure, statute, regulation or at common law), but only to the extent such disclosure is actually required, and (ii) to any of the Receiving Party's affiliates, shareholders, members, partners, directors, officers, employees, agents, contractors, subcontractors, necessary consultants, counsel, advisors, accountants or lenders (collectively, "Representatives") who are directly involved in and require access to such Confidential Information in connection with the Proposed Undertaking.

In the event the Receiving Party is required to disclose Confidential Information under (i) above, the Receiving Party shall inform the requesting party of the confidentiality requirements of this Agreement prior to disclosing any such Confidential Information; shall give prompt notice of the existence, terms and circumstances surrounding such request or requirement to the Disclosing Party and afford the Disclosing Party opportunity to review the information so that the Disclosing Party may seek, at its sole cost and expense, a protective order or other relief in the appropriate forum and/or waive compliance by the Receiving Party with the terms of this Agreement; shall limit any such disclosure to the scope of the requirement or request; and shall exercise its reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such Confidential Information.

Each of the Parties agrees that (x) any of its Representatives to whom Confidential Information is or may be disclosed will be informed of the confidential or proprietary nature thereof and will be required to abide by the Receiving Party's obligations under this Agreement, and (y) each Party shall be responsible for any unauthorized use or disclosure of Confidential Information by any of its Representatives.

**4. Limitations on Use.** Absent the express written consent of the Disclosing Party, Confidential Information disclosed hereunder may be utilized by the Receiving Party only for the purpose of evaluating possible transactions in connection with and negotiating the possible terms of agreements relating to the Proposed Undertaking and for no other purpose. Upon disclosing Confidential Information to Representatives, the Receiving Party shall advise same of the confidential nature thereof, and shall take necessary and reasonable precautions to prevent the unauthorized disclosure of such information by such parties.

**5. Reservation of Rights.** The Parties agree that: (i) all rights to Confidential Information disclosed pursuant to this Agreement are reserved to the Disclosing Party; (ii) nothing in this

Agreement shall diminish or restrict in any way the rights that each Party has to market, lease, sell, or otherwise make available its products and services to any customer or third party; and (iii) no license or conveyance of any rights under any discoveries, inventions, or patents is granted or implied by either Party to the other.

**6. Disclosure Rights.** Notwithstanding anything to the contrary in this Agreement, the Disclosing Party represents and warrants that it may rightfully disclose or make available all Confidential Information disclosed to the Receiving Party hereunder without violating or being in breach of any contractual, fiduciary or other obligation to any person.

**7. No Warranties.** Neither the Disclosing Party nor any of its Representatives make any representation, warranty or covenant as to the Confidential Information, including, without limitation, the accuracy or completeness of the Confidential Information or fitness of the Confidential Information for a particular use. The Receiving Party acknowledges that the Disclosing Party and its Representatives shall not have any liability to the Receiving Party or its Representatives resulting from the provision to or use by the Receiving Party or its Representatives of Confidential Information.

**8. No Obligation to Disclose or Proceed.** This Agreement does not and shall not be construed to obligate either Party to disclose Confidential Information to the other Party. Disclosure of Confidential Information shall be at the sole discretion of the Disclosing Party. The Parties hereto understand and agree that unless and until a definitive agreement has been executed and delivered, no contract or agreement providing for a transaction between the Parties shall be deemed to exist between the Parties, and neither Party will be under any legal obligation of any kind whatsoever with respect to such transaction by virtue of this or any written or oral expression thereof, except, in the case of this Agreement, for the matters specifically agreed to herein. For purposes of this Agreement, the term "definitive agreement" does not include an executed letter of intent or any other preliminary written agreement or offer unless specifically so designated in writing and executed by both Parties. This Agreement neither obligates a Party to deal exclusively with the other Party nor prevents a Party or any of its affiliates from competing with the other Party or any of its affiliates.

**9. Return of Confidential Information.** The Receiving Party, upon the Disclosing Party's written request, shall return to the Disclosing Party as soon as practicable, but in no event later than thirty (30) days from the date such request is received, all Confidential Information provided to the Receiving Party and in its possession or in the possession of its Representatives. In lieu of returning the Confidential Information, the Receiving Party, in its sole discretion, may elect to destroy all Confidential Information in its possession and in the possession of its Representatives, and shall certify such destruction in writing to the Disclosing Party. Notwithstanding the foregoing, (i) the Receiving Party shall not be obligated to return or destroy any documents created by it that reflect or refer to Confidential Information and (ii) the Receiving Party may create and retain an abstract describing the type of Confidential Information that it receives sufficient to document the nature and scope of the Parties' discussions under this Agreement. Any such documents or abstract so created will be subject to the other restrictions of this Agreement,

**10. Governing Law.** This Agreement, and all claims arising hereunder, shall be governed by and construed under the laws of the State of Massachusetts, without regard to principles of conflicts of laws calling for application of the laws of another state.

**11. Injunctive Relief.** The Receiving Party acknowledges and agrees that, without prejudice to any other right and remedy available to the Disclosing Party, the Disclosing Party shall be entitled (i) to apply for injunctive relief and specific performance of the terms hereof, and (ii) to recover all reasonable costs and expenses, including attorneys' fees and other legal costs, from the Receiving Party if awarded for legal action taken in connection with any breach or threatened breach by the Receiving Party or its Representatives of any of the provisions of this Agreement. The Parties agree and acknowledge that monetary damages and other forms of legal damages would be inadequate in the event of a breach of this Agreement.

**12. No Consequential Damages.** ANY OTHER PROVISION OF THIS AGREEMENT NOTWITHSTANDING, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY HEREUNDER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES OF ANY KIND OR CHARACTER, INCLUDING LOST PROFIT OR LOSS OF BUSINESS OPPORTUNITY, UNDER WHATEVER CAUSE OF ACTION, WHETHER CONTRACT, TORT (INCLUDING NEGLIGENCE, WHETHER SOLE, JOINT OR CONCURRENT, OR STRICT LIABILITY) OR INDEMNITY, ARISING OUT OF THIS AGREEMENT.

**13. No Waiver.** Subject to applicable statutes of limitation, no failure or delay, in whole or in part, by the Disclosing Party in exercising any right hereunder shall operate as a full or partial waiver of such right.

**14. Entire Agreement.** This Agreement represents the entire agreement of the Parties concerning the subject matter hereof and supersedes all prior agreements between the Parties, and no other agreement, written or oral, exists between the Parties concerning the subject matter hereof.

**15. No Third Party Beneficiaries.** This Agreement is intended for the benefit of the Parties hereto and is not intended to and does not confer any benefit to third parties.

**16. Amendments.** No amendment, modification or change to this Agreement shall be enforceable unless reduced to writing and executed by both Parties. This Agreement comprises the full and complete agreement of the Parties hereto with respect to the subject matter hereof and supersedes and cancels all prior communications, understandings and agreements between the Parties hereto, whether written or oral, expressed or implied with respect to the subject matter hereof.

**17. Assignment.** This Agreement may not be assigned by either Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned or delayed, provided however that this Agreement may be assigned by a Party without the consent of the other Party to any subsidiary or affiliate of the assigning Party, provided that the assignor shall not be released from the terms and conditions hereof. Upon any assignment made in compliance

with this Section 17, this Agreement shall inure to and be binding upon each assignee of the assigning Party.

**18. Multiple Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same document.

**19. Notices.** Any notice or other communications required or permitted to be given pursuant to this Agreement shall be confirmed in writing and shall be deemed properly given when hand delivered; sent by overnight mail service; mailed certified mail, return receipt requested, or transmitted by facsimile with date and sending Party identified to the following addresses:

Attn:

Title:

Address:

**Address:**

Telephone:

Facsimile:

For KeySpan:

Attn: **Joseph G. Pradas**  
**Director Strategic Execution and Compliance**  
**KeySpan**  
**303 Merrick Road**  
**Suite 501**  
**Lynbrook, NY 11563**  
**jpradas@keyspanenergy.com**  
**Telephone: (516) 596-3520**  
**Facsimile: (516) 256-2814**

With a Copy to: **KeySpan Corporate Services LLC**  
**175 East Old Country Road**  
**Hicksville, New York 11801**  
**Attn: Assistant General Counsel Commercial**  
**Transactions**  
**Telephone: (516) 545-3745**  
**Facsimile: (516) 545-5029**

**20. Term and Survival.** This Agreement shall be in effect commencing on the effective date hereof for a period of two (2) years unless superseded at an earlier date by the confidentiality provisions of a definitive agreement.

**IN WITNESS WHEREOF**, the Parties have entered into this Agreement effective as of the Effective Date.

\_\_\_\_\_

BOSTON GAS COMPANY,  
COLONIAL GAS COMPANY, AND  
ESSEX GAS COMPANY ALL D/B/A  
KEYSPAN ENERGY DELIVERY NEW  
ENGLAND,  
BY THEIR AGENT  
KEYSPAN CORPORATE SERVICES  
LLC

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

D.T.E. 06-9  
Respondent: Elizabeth Arangio  
Information Response DTE 1-2  
Attachment DTE-1-2(a)  
Page 26 of 26

**Massachusetts RFP for Portfolio Management Services  
List of Potential Bidders**

7/1/2005

<u>Company</u>	<u>Contact</u>	<u>Office</u>	<u>Fax</u>	<u>Email</u>
Anadarko	Wanda Marcell 1200 Timberloch Place The Woodlands, Texas 77380	(832) 636-7155	(832) 636-7181	wanda_marcell@anadarko.com
BP Energy	Paul Mugridge Manager Market Development BP Energy 501 Westlake Park Blvd. Houston, TX 77079	(281) 366-2567	(281) 366-4969	paul.mugridge@BP.com
Burlington Resources	Dan McAstocker Burlington Resources Canada Ltd. 2100 - 250 6th S.W. Calgary, Alberta T2P-3H7	(403) 260-8057	(403) 269-8236	DMcAstocker@br-inc.com
Cargill	Craig Adams Director, Marketing & Business Development Cargill Power & Gas Markets 12700 Whitewater Dr. Minnetonka, MN 55343-9439	(952) 984-3301	(952) 984-3607	craig_adams@cargill.com
Chevron Texaco	Don Cullum Regional Director - Gulf Coast Natural Gas Marketing - U.S. Chevron Natural Gas 1500 Louisiana Street, Third Floor Houston, TX 77002	(832) 854-5032	(832) 854-3293	doncullum@chevrontexaco.com
Cinergy	Chris Fischer - Director, Origination Cinergy Marketing & Trading, LP 1100 Louisiana St, Suite 4900 Houston, TX 77002	(713) 393-6846	(713) 890-3134	chris.fischer@cinergy.com
ConocoPhillips	Jeff Brant Director, NE Origination ConocoPhillips Gas & Power 5795 Widewaters Parkway #201 DeWitt, NY 13214	(315) 453-7353	(315) 453-7355	jeff.brant@conocophillips.com
Constellation	David Dahlem 23 Franklin Woods Road Somers, Ct 06071	(860) 763-5015	(860) 763-5016	david.dahlem@constellation.com
Coral (Shell)	Lisset Garza Shell Trading Gas & Power 909 Fannin St. Houston, TX 77010	(713) 767-5470	(713) 265-5470	lgarza@coral-energy.com
DeutscheBank	Allan Kessler Deutsche Bank AG New York 60 Wall Street 5th Floor New York, NY 10005	(212) 250-8693		allan.kessler@db.com
Devon	Ken Ballard 20 North Broadway, BOC 7.16 Oklahoma City, OK 73102-8260	(405) 228-8285	(405) 228-8372	ken.ballard@dvn.com
DTE Energy	Sharon Crow East Origination DTE Energy Trading 414 S. Main Street Suite 200 Ann Arbor, MI 48104	(734) 887-2135	(734) 887-2104	crows@dteenergy.com

<u>Company</u>	<u>Contact</u>	<u>Office</u>	<u>Fax</u>	<u>Email</u>
EnCana	Haig Vejprava Director of Marketing 1800, 855 2nd Street S.W. P.O. Box 2850 Calgary, Alberta T2P 2S5	(403) 645-4316		haig.vejprava@encana.com
ExxonMobil	Guangtao Zhu ExxonMobil Gas & Power Marketing 800 Bell Street, Room 3562R Houston, TX 77002	(713) 656-6297	(713) 656-2727	guangtao.zhu@exxonmobil.com
Marathon Oil	Jim Bowden Marathon Oil P.O. Box 3128 Houston, TX 77253-3128	(713) 296-3700	(713) 296-4481	jrbowden@marathonoil.com
Merrill Lynch	David Stratton Lon Tiemann Chris Beggins 20 East Greenway Plaza Suite 700 Houston, TX 77046	(713) 544-4400 (713) 544-7758 (713) 544-7761		david_stratton@ml.com lon_tiemann@ml.com chris_beggins@ml.com
Morgan Stanley	Robert Faitell Morgan Stanley Trading Floor 2000 Westchester Ave. Purchase, NY 10577	(914) 225-1460		robert.faitell@morganstanley.com
ONEOK	Phill May Director of Origination - Northeast Region ONEOK Energy Services 100 W. Fifth Street Suite 1600 Tulsa, OK 74103-4298	(918) 591-5169	(918) 591-5130	Phill.May@oneok.com
Sempra	Scott La Shelle Director Sempra Energy Trading Corp. 58 Commerce Rd. Stamford, CT 06902	(203) 355-5087		slashelle@sempratradng.com
Sequent	Pete Tumminello Sequent Energy Management 1200 Smith Street Suite 900 Houston, TX 77002	(832) 397-3742	(832) 397-1709	ptummine@sequentenergy.com
Sprague	Claude Peyrot 2 International Drive Suite 200 Portsmouth, NH 03801-6809	(603) 430-7254		cpeyrot@spragueenergy.com
Tenaska	Kristen Gould Manager, Marketing 3050, 300 - 5th Avenue S.W. Stock Exchange Tower Calgary, AB T2P 3C4	(403) 716-1382	(403) 716-1375	kgould@tmvgas.com
UBS Warburg	Patrice Thurston UBS Energy Desk 677 Washington Boulevard Stamford, CT 06901	(203) 719-8503	(203) 719-1056	patrice.thurston@ubs.com

**Note:** A. 23 potential bidders were contacted.  
14 potential bidders have executed a Confidentiality Agreement.  
B. No potential bidder has submitted a decline to bid notice.



FIRST SET OF INFORMATION REQUESTS OF  
THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY  
TO KEYSpan ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

**REDACTED**

Respondent: Elizabeth D. Arangio

Information Request DTE 1-3

- Q. Please refer to Exhibit EDA-1, at 6, 10, and 24. On page 6, the Company states that “[a]ny revenues derived through the use of the portfolio assets in excess of the guaranteed payment are shared between MLCI, as the asset manager, and KeySpan customers with KeySpan sharing in the customer portion of excess revenues” (emphasis added). On page 10, the Company states that “[a]ny revenues derived through the use of the portfolio assets in excess of the guaranteed payment would be shared with KeySpan customers, except that KeySpan would share in the MLCI portion of the excess revenues (rather than the customer portion as is the case under the current agreement).” What are the revenue sharing ratios between the various parties under the current and the proposed Agreements? How were the revenue sharing ratios determined?
- A. Under the proposed Agreement, KeySpan would not share in the customer portion of excess revenues generated through the portfolio-management activities. The statement referenced above regarding KeySpan’s “sharing in the customer portion of excess revenues” refers to the existing agreement with MLCI, which was approved by the Department in KeySpan Energy Delivery, D.T.E. 04-9 (2003). Under the existing agreement, customers receive a fixed annual payment of \$[redacted] million and [redacted] percent of any revenues generated in excess of the fixed payment. Out of the customer portion of excess revenues ([redacted] percent of total), KeySpan received 25 percent of the revenues that were in excess of the total revenues received in the prior year. Under the proposed Agreement, customers would receive a fixed annual payment of \$[redacted] million and would again receive [redacted] percent of any revenues generated in excess of that fixed payment. However, KeySpan would not share in the customer portion of excess revenues. Instead, KeySpan would share in the excess revenues that are retained by MLCI on a [redacted] basis, although this allocation is subject to change during the term of the Agreement to reflect shifts in the obligations and activities of MLCI and KSCS. These revenue sharing percentages were determined through negotiation with MLCI.

Please note that certain information in this response is confidential and, as such, is the subject of a Motion for Confidentiality filed by the Company in this proceeding on January 30, 2006.

FIRST SET OF INFORMATION REQUESTS OF  
THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY  
TO KEYSpan ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Respondent: Elizabeth D. Arangio

Information Request DTE 1-4

- Q. Please refer to Exhibit EDA-1, at 11. Indicate the assets that KeySpan will not release to MLCI under the Agreement. The Company states that "MLCI will work with KeySpan to handle day-to-day operational requirements" of these assets. How much will it cost KeySpan and its customers?
- A. KSCS and MLCI are currently engaged in discussions to determine the optimal distribution of assets among and between KSCS and MLCI at the outset of the Agreement. Both KSCS and MLCI anticipate that the mix of assets managed by and between KSCS and MLCI will be subject to change throughout the duration of the contract. However, the Company has provided Attachment DTE-1-4, which is a tentative listing of the resources to be released at the outset of the arrangement on April 1, 2006. In addition, the Company does not plan to release control to MLCI of certain peaking and liquid refills contracts with Distrigas of Massachusetts Corporation and certain long-term Canadian contracts providing gas supply (up to 71,954 MMBtu/day pursuant to contracts with Alberta Northeast Gas Limited, BP Canada Energy Company and Nexen Marketing). Nor does KeySpan anticipate releasing control of any downstream assets to MLCI.

KeySpan is also engaged in a process to develop and institute an internal organization with responsibility for handling the day-to-day operational requirements of the Massachusetts resource portfolio. This capability is expected to cost KeySpan in the range of \$500,000 to \$2 million per year in incremental costs for staffing, training and systems development and maintenance. However, there will be no additional cost to customers because any incremental costs incurred by the Company will be mitigated through the revenue-sharing arrangement with MLCI.

Transportation Contracts

Shipper: Boston Gas Company

Pipeline Company	Contract No.	Rate Schedule	City Gate MDQ	Annual Quantity	Expiration Date	Company Managed	Released to AMA	Notes
Algonquin	99058	AFT-1	18,177	6,634,605	10/31/2005		X	Part-284 firm transportation service used to transport gas from the TETCO interconnect at Lambertville, NJ to KEDNE city gates. The Company is currently exercising the evergreen provision provided in the contract and is extending the contract on a year to year basis.
Algonquin	934001R	AFT-1 (FTP)	20,771	7,581,415	10/31/2006		X	Part-284 transportation service (365-day) used to transport gas from the TETCO interconnect at Lambertville, NJ to KEDNE city gates.
Algonquin	93002ER	AFT-E (F1)	95,594	30,242,316	10/31/2006		X	Part-284 no-notice service with a seasonally adjusted MDQ of 95,594 MMBtu/day, used to transport gas from the TETCO interconnect at Lambertville, NJ to KEDNE city gates.
Algonquin	93002CR	AFT-1 (F1/WS1)	44,699	13,513,671	10/31/2006		X	Part-284 service with a seasonally adjusted MDQ of 44,699 MMBtu/day, used to transport gas from the TETCO interconnect at Lambertville, NJ to KEDNE city gates.
Algonquin	9B100R	AFT-1 (STB)	29,909	6,350,647	10/31/2006		X	Part-284 service with a seasonally adjusted MDQ of 29,909 MMBtu/day, used to transport gas from the TETCO interconnect at Lambertville, NJ to KEDNE city gates.
Algonquin	9221	AFT-1 (AFT2)	19,970	7,289,050	10/31/2012		X	Part-284 transportation service (365 day) used to transport gas from the TGP interconnect at Mendon, MA to KEDNE city gates.
Algonquin	93302C	AFT-1 (F2/F3)	27,729	10,121,085	10/31/2009		X	Part-284 transportation service (365-day) used to transport gas. 6,335 MMBtu from the interconnect with Transco at Centerville, NJ and 21,394 MMBtu from Lambertville, NJ to KEDNE city gates.
Algonquin	99012	AFT-1	35,000	4,200,000	10/31/2007	X		120-day firm transportation service (November 16th through March 15th each year) used to deliver gas from KLNG, Inc. in Providence, Rhode Island to various KEDNE city gates.
Dominion	100015	FTNN	12,978	4,736,970	10/31/2005		X	Part-284 transportation service (365-day) used to transport gas received from TGP, TETCO and Texas Gas to the Dominion interconnects with TETCO at Oakford, PA. The Company is currently exercising the evergreen provision provided in the contract and is extending the contract on a year to year basis.
HubLine	510100	AFT-1	20,000	7,300,000	10/31/2011		X	Part-284 transportation service (365-day) used to transport gas from M&N expansion-interconnect at Beverly, MA to KEDNE city gates.
Iroquois	42001	RTS-1	8,645	3,155,425	10/31/2011	X		Part-284 transportation service (365-day) used to transport Canadian supply from Waddington to the Iroquois interconnect with TGP at Wright, NY.
Iroquois	42001	RTS-1	35,000	12,775,000	10/31/2011		X	Part-284 transportation service (365-day) used to transport Canadian supply from Waddington to the Iroquois interconnect with TGP at Wright, NY.
Maritimes Canada	0500-FT019	MN365	43,200	15,768,000	3/31/2007	X		Transportation contract used to transport the Imperial volumes from Goldboro, Sable Island, Canada to the interconnect with Maritimes U.S.A. at Saint Stephen, New Brunswick.
Maritimes USA	8005	MN365	43,200	15,768,000	3/31/2007	X		Transportation contract used to transport Imperial volumes from the Canadian/U.S.A. border to the Maritimes interconnect with TGP at Dracut, MA.
Tennessee	623	FT-A	41,687	15,215,755	10/31/2008		X	Transportation contract used to transport gas from FS-MA storage (zone 4) to KEDNE city gates.

Shipper: Boston Gas Company

Pipeline Company	Contract No.	Rate Schedule	City Gate MDQ	Annual Quantity	Expiration Date	Company Managed	Released to AMA	Notes
Tennessee	2062	FT-A	94,313	34,424,245	10/31/2008		X	Transportation contract used to transport gas from the access area (zones 0 and 1) and the storage field (zone 4) to KEDNE city gates. Primary receipts of 80,166 MMBtu/day from zones 0 and 1 and 14,147 MMBtu/day from zone 4.
Tennessee	20241	FT-A	13,027	4,754,855	10/31/2008		X	Part-284 transportation service (365-day) used to transport gas from two storage fields (Honeye, FS-MA) to KEDNE city gates.
Tennessee	32155	FT-A	15,728	5,740,720	10/31/2008		X	Part-284 transportation service (365-day) used to transport gas from the access area (zones 0 and 1) and the storage fields (zone 4) to KEDNE city gates (zone 6). Primary receipts of 13,369 MMBtu/day from zones 0 and 1 and 2,359 MMBtu/day from zone 4.
Tennessee	31898	FT-A	43,200	15,768,000	10/31/2008	X		FT-A contract with used to transport gas from Dracut, MA at the Tennessee Interconnect with M&N Pipeline (USA) to the delivery points of Dracut, MA (Meter No. 020572) for 7,000 MMBtu/day; Haverhill, MA (Meter No. 020122) for 16,200 MMBtu/day; and Tewksbury (Meter No. 020139) for 20,000 MMBtu/day.
Tennessee	256	FT-A	10,533	3,844,545	10/31/2008	X		Part-284 transportation service (365) used to transport gas from Canadian Supply (BP & Nexen) at Niagara, NY to KEDNE city gates.
Tennessee	29610	NET-NE	43,600	15,914,000	11/30/2012	X		Part 284 transportation service (365-day) used to transport gas from Iroquois at Wright, NY to KEDNE city gates. 20,000 MMBtu is used to transport gas from Wright, NY to Mendon, MA the Interconnect with Algonquin.
Tennessee		FT-A	112,700	41,135,500	10/31/2027		X	Precedent Agreement (FT-A) for transportation capacity of up to 100,000 MMBtu/day from receipt points from the access area (zones 0 and 1) to KEDNE city gates. (Upon completion of the Tennessee Connection Project) Expected In-service date of November 1, 2007.
Texas Eastern	331009R1	FTS-7	29,915	10,918,975	10/31/2006		X	FTS-7 service used to transport Dominion GSSTE storage gas from Oakford, PA to the TETCO Interconnects with AGT at Lambertville, NJ.
Texas Eastern	800105R1	FT-1	39,624	14,462,760	10/31/2006		X	Transportation contract used to transport gas from the access areas (STX, ETX, ELA and WLA) to the TETCO Interconnect with AGT at Lambertville, NJ. Effective November 1, 2005, the MDQ may decrease to 22,586 MMBtu with one-year prior written notice TETCO.
Texas Eastern	800286R1	CDS	32,616	11,904,840	10/31/2006		X	Transportation contract used to transport gas from the access areas (STX, ETX, ELA and WLA) to the TETCO Interconnect with AGT at Lambertville, NJ.
Texas Eastern	800285R1	FT-1	48,133	17,568,545	10/31/2006		X	Transportation contract used to transport gas from the access areas (STX, ETX, ELA and WLA) to the TETCO Interconnect with AGT at Lambertville, NJ.
Texas Eastern	800287	FT-1	21,394	7,808,810	4/30/2012		X	Part-284 transportation service (365-day) used to transport gas from Dominion at Leidy, PA to the TETCO Interconnect with AGT at Lambertville, NJ.
Texas Gas	T4855	FT	13,280	4,847,200	10/31/2005		X	Part-284 transportation service (365-day) with an MDQ of 13,280 MMBtu/day. This contract is used to transport gas from the access areas (zone 1 and SL) to the Dominion Interconnect at Lebanon. The Company is currently exercising the evergreen provision provided in the contract and is extending the contract on a year to year basis.
Transco	6425	FT	6,335	2,312,275	5/31/2008		X	Part-284 transportation service (365-day) has a primary receipt point of Wharton, PA and a primary delivery point of Centerville, NJ, which is the Transco Interconnect with AGT.

## Shipper: Colonial Gas Company

Pipeline Company	Contract No.	Rate Schedule	City Gate MDQ	Annual Quantity	Expiration Date	Company Managed	Released to AMA	Notes
Algonquin	9227	AFT-1/AFT-2	4,000	1,460,000	10/31/2013	X		Part-284 transportation service (365-day) used to transport gas from TGP's interconnect at Mendon, MA to KEDNE city gates.
Algonquin	92100	AFT-1 (PSST)	104	37,960	3/31/2012		X	Part-284 service used to transport gas from the TETCO interconnect at Lambertville, NJ to KEDNE city gates.
Algonquin	93402	AFT-1 (F4)	7,918	2,890,070	10/31/2012		X	Part-284 service used to transport gas from the TETCO interconnect at Lambertville, NJ to KEDNE city gates.
Algonquin	933003	AFT-1 (PSST)	2,222	811,030	3/31/2012		X	Part-284 service used to transport gas from the TETCO interconnect at Lambertville, NJ to KEDNE city gates.
Algonquin	93003EC	AFT-E (F1)	16,463	5,055,225	10/31/2012		X	Part-284 no-notice service with a seasonally adjusted MDQ used to transport gas from the TETCO interconnect at Lambertville, NJ to KEDNE city gates.
Algonquin	93203C	AFT-1 (F2) (F3)	2,528	922,720	10/31/2012		X	Part-284 transportation service used to transport gas from the Transco interconnect at Centerville (577 MMBtu), NJ and the TETCO interconnect at Lambertville, NJ (1,951MMBtu) to KEDNE city gates.
Algonquin	98002C	AFT-E	7,327	2,378,365	10/31/2005		X	Part 284 no-notice transportation service (365-day) used to transport gas from the TETCO interconnect at Lambertville, NJ to KEDNE city gates.
Algonquin	99048A	AFT-1	2,000	730,000	10/31/2005	X		Part-284 transportation service (365-day) used to transport gas from TGP's interconnect at Mendon, MA to KEDNE city gates.
Algonquin	9B101C	AFT-1 (STB) AFT-E (SS-III)	4,001	849,607	10/31/2012		X	Part-284 service with a seasonally adjusted MDQ used to transport gas from the TETCO interconnect at Lambertville, NJ to KEDNE city gates.
Dominion	700049	FT-GSS	2,222	811,030	3/31/2012		X	Part-284 transportation service (151-day) used to transport gas received from Dominion GSS (300114) to Dominion's interconnect with TETCO at Oakford, PA.
HubLine	510025R1	AFT-1	25,000	9,125,000	10/31/2011		X	Part-284 transportation service (365-day) used to transport gas from M&N expansion-interconnect at Beverly, MA to KEDNE city gates.
Iroquois	48001	RTS-1	6,070	2,215,550	10/31/2011	X		Part-284 transportation service (365-day) used to transport Canadian supply (ANE) to Iroquois interconnect with TGP at Wright, NY.
National Fuel	N01733	FST	6,203	2,264,095	3/31/2006		X	Part-284 firm transportation service (365-day) associated with the FSS service N01734, used for storage injection and or withdrawal across National Fuel pipeline system and into and out of the FSS storage
Tennessee	428	NET-NE	2,000	730,000	11/30/2011	X		Part-157 (7C) transportation service (365-day) used to transport gas from IRQ at Wright, NY to KEDNE city gates or the AGT interconnect at Mendon, MA.
Tennessee	435	FT-A	17,300	6,314,500	3/31/2008		X	Part-284 transportation service (365-day) used to transport gas from the access area (zones 0 and 1) and the storage fields (zone 4) to KEDNE city gates (zone 6). Primary receipts of 14,686 MMBtu/day from zones 0 and 1 and 2,614 MMBtu/day from zone 4.
Tennessee	2025	FT-A	25,196	9,196,540	10/31/2008		X	Part-284 transportation service (365-day) used to transport gas from the access area (zones 0 and 1) to KEDNE city gates (zone 6). Primary receipts of 21,435 MMBtu/day from zones 0 and 1 and 3,761 MMBtu/day from zone 4.
Tennessee	2029	FT-A	7,504	2,738,960	10/31/2008		X	Part-284 transportation service (365-day), used to transport gas from the FS-MA storage field to KEDNE city gates.
Tennessee	10778	FT-A	16,083	5,870,295	10/31/2008		X	Part-284 transportation service (365-day) used to transport gas from National Fuel Storage (6,084 MMBtu/day) and FS-MA (9,999 MMBtu/day) to KEDNE city gates.

Shipper: Colonial Gas Company

Pipeline Company	Contract No.	Rate Schedule	City Gate MDQ	Annual Quantity	Expiration Date	Company Managed	Released to AMA	Notes
Tennessee	11290	NET-NE	4,000	1,460,000	10/31/2012	X		Part 157 (7C) transportation service (365-day) used to transport gas from IRQ at Wright, NY to KEDNE city gates or the AGT interconnect at Mendon, MA.
Texas Eastern	800289R	FT-1	1,951	712,115	10/31/2009		X	Part-284 transportation service (365-day) used to transport gas from the access areas (STX, ETX, ELA and WLA) to TETCO interconnect with AGT at Lambertville, NJ.
Texas Eastern	331700	FTS-7	3,016	1,100,840	4/15/2005	X		FTS-7 service used to transport gas from Dominion storage at Oakford, PA to TETCO interconnect with AGT at Lambertville, NJ. Company Managed
Texas Eastern	331800	FTS-8	985	359,525	3/31/2006	X		Part-157 (7C) service (FTS-8) (365-day) used to transport gas from Dominion storage at Oakford, PA to TETCO's interconnect with AGT at Lambertville, NJ.
Texas Eastern	800313	FT-1	7,918	2,890,070	10/31/2012		X	Part-284 transportation service (365-day) used to transport gas from the access areas (STX, ETX, ELA and WLA) to TETCO interconnect with AGT at Lambertville, NJ.
Texas Eastern	800400R	FT-1	2,326	848,990	10/31/2012		X	Part-284 transportation service (365-day) used to transport gas from Dominion at Oakford, PA to TETCO interconnect with AGT at Lambertville, NJ.
Texas Eastern	800469R	CDS	10,731	3,916,815	10/31/2012		X	Part-284 no-notice transportation service (365-day) used to transport gas from the access areas (STX, ETX, ELA and WLA) to TETCO interconnect with AGT at Lambertville, NJ.
Transco	6428	FT	577	210,605	5/31/2008		X	Part-284 transportation service (365-day) with a primary receipt point of Wharton, PA and a primary delivery point of Centerville, NJ, which is the Transco interconnect with AGT.

Shipper: Essex Gas Company

Attachment DTE-4									
Pipeline Company	Contract No.	Rate Schedule	City Gate MDQ	Annual Quantity	Expiration Date	Company Managed	Released to AMA	Notes	
Iroquois	49001	RTS-1	2,023	738,395	10/31/2011	X		Part-284 transportation service (365-day) used to transport Canadian supply (ANE) to the IRQ interconnect with TGP at Wright, NY.	
Tennessee	577	FT-A	5,172	1,887,780	10/31/2008		X	Transportation capacity used to transport gas from the FS-MA storage field to KEDNE city gates.	
Tennessee	2066	FT-A	976	356,240	10/31/2008	X		Transportation capacity used to bring Canadian supply (BP & Nexen) volumes from the Tennessee Gas Pipeline in Niagara, NY to the Company's city gates. Company Managed	
Tennessee	10788	FT-A	4,069	1,485,185	5/31/2008		X	Transportation capacity used to transport gas from FS-MA to KEDNE city gates.	
Tennessee	33247	NET-NE	2,000	730,000	11/30/2012	X		Part-284 service used to transport Canadian supply (ANE) from IRQ at Wright, NY to KEDNE city gates.	
Tennessee	45201	FT-A	645	235,425	10/31/2008	X		Transportation capacity used to bring Canadian supply (BP & Nexen) volumes from the Tennessee Gas Pipeline in Niagara, NY to the Company's city gates.	

## Shipper: Boston Gas Company

Pipeline Company	Contract No.	Rate Schedule	City Gate MDWQ	Annual Quantity MSQ	Expiration Date	Company Managed	Released to AMA	Notes
Dominion	600020	GSS-TE Storage	42,457	4,698,132	3/31/2006		X	Part-284 storage service (110-day) that provides storage capacity at a withdrawal rate of 42,457 MMBtu/day and an injection rate of 26,101 MMBtu/day.
Honeye		SS-NY Storage	6,150	981,120	4/1/1995	X		Part-157 (7C) storage service that provides storage capacity with an injection rate of 6,150 MMBtu/day. At this time the company is utilizing the evergreen provision, extending the contract on a year to year basis.
Tennessee	527	FS-MA Storage	70,799	5,686,054	10/31/2008		X	Part-284 storage service that provides storage capacity with an injection rate of 37,907 MMBtu/day.
Texas Eastern	400225	SS-1 Storage	68,771	4,938,091	4/30/2013		X	Part-284 storage and transportation service that provides storage capacity with an injection rate of 25,382 MMBtu/day.
KeySpan KLING	LNG006	KLING	35,000	1,159,664	10/31/2007	X		LNG storage contract (LNG006) in the KLING facility and associated Algonquin transport contract (99012) from Dey Street to Company's citygates.

## Shipper: Colonial Gas Company

Pipeline Company	Contract No.	Rate Schedule	City Gate MDWQ	Annual Quantity MSQ	Expiration Date	Company Managed	Released to AMA	Notes
Dominion	300114	GSS Storage	2,222	222,200	3/31/2012		X	Part-284 storage service (100-day) with an MDIQ of 1,234 MMBtu/day.
Dominion	300115	GSS Storage	104	10,400	3/31/2012		X	Part-284 storage service (100-day) with a MDIQ of 58 MMBtu/day.
Dominion	600008	GSS-TE Storage	11,000	823,529	10/31/2006	X		Part-157 (7C) storage service (75-day) storage capacity, at an injection rate of 4,575 MMBtu/day.
National Fuel	001734	FSS Storage	6,203	930,450	3/31/2005		X	Part-284 storage service (150-day) that provides storage capacity, at an injection rate of 4,652 MMBtu/day. At this time the company is utilizing the evergreen provision, extending the contract on a year to year basis.
Tennessee	524	FS-MA Storage	14,150	1,095,830	10/31/2008		X	Part-284 storage service that provides storage capacity with an injection rate of 7,036 MMBtu/day.
Texas Eastern	400200	SS-1 Storage	6,969	493,486	4/30/2013		X	Part-284 storage and transportation service that provides storage capacity with an injection rate of 2,537 MMBtu

## Shipper: Essex Gas Company

Pipeline Company	Contract No.	Rate Schedule	City Gate MDWQ	Annual Quantity MSQ	Expiration Date	Company Managed	Released to AMA	Notes
Tennessee	2272	FS-MA Storage	10,466	821,406	10/31/2008		X	Part-284 storage service that provides storage capacity with an injection rate of 5,477 MMBtu/day.



## Shipper: Boston Gas Company

Supply Company	Contract No.	City Gate MDQ	Annual Quantity	Expiration Date	Company Managed	Released to AMA	Notes
DTE Energy		15,000	2,265,000	4/1/2006	X		Supply Agreement between Boston Gas Company and DTE Energy Company provides gas commodity from western Canada at the Canadian-US border at Waddington, NY (Iroquois) to Tennessee for transportation to KEDNE city gates.
ANE		8,600	2,920,000	10/31/2006	X		Alberta Natural Gas contract provides Boston Gas Company a bundled capacity and gas commodity from western Canada at the TransCanada and IRQ interconnect at Waddington, US, for transportation to KEDNE city gates. The contract has an MDQ of 8,600 MMBtu.
BP Canada		5,379	1,963,335	4/1/2007	X		Supply Agreement between Boston Gas and BP Canada Energy Company that provides gas commodity from western Canada at the Canadian-US border near Niagara, New York on Tennessee for transportation to Boston Gas citygates. The contract has an MDQ of 5,379 MMBtu.
Imperial Maritimes		43,200	15,768,000	3/31/2007	X		This is a Supply Agreement with Imperial Oil Resources that provides 43,200 MMBtu/day gas commodity from Sable Island. The gas is transported to the Company's TGP citygates via the Company's long-haul capacity on the M&N Pipelines and short-haul capacity on TGP from Dracut.
NEXEN		5,379	1,963,335	4/1/2007	X		Supply Agreement between Boston Gas Company and NEXEN Marketing Company that provides gas commodity from western Canada at the Canadian-US border near Niagara, New York on Tennessee for transportation to KEDNE city gates. The contract has an MDQ of 5,379 MMBtu/day.
Distrigas	FVS254		1,000,000	10/31/2005	X		Contract FVS254 is a supply agreement for Firm Vapor Service with a maximum daily quantity of 30,000 MMBtu/day with a annual quantity of 1,000,000 MMBtu.
Distrigas	FVS217		61,800	10/31/2014	X		Contract FVS217 is a supply agreement for Firm Vapor Service with a maximum daily quantity of 20,600 MMBtu/day with a annual quantity of 61,800 MMBtu.
Distrigas	FLS160		1,000,000	10/31/2007	X		Contract FLS160 is a winter liquid refill contract with a maximum annual quantity of 1,000,000 MMBtu. The LNG can be distributed to ALL KeySpan LNG facilities, including Providence KLNG.
Distrigas	FLS129		3,500,000	10/31/2011	X		Contract FLS129 is a summer liquid refill agreement for Firm Liquid Service with a maximum annual quantity of 3,500,000 MMBtu.

**Shipper: Colonial Gas Company**

Supply Company	Contract No.	City Gate MDQ	Annual Quantity	Expiration Date	Company Managed	Released to AMA	Notes
ANE		6,000	2,190,000	10/31/2006	X		Alberta Natural Gas contract provides Colonial Gas a bundled capacity and gas commodity from western Canada at the TransCanada and IRQ interconnect at Waddington, US, for transportation to KEDNE city gates. The contract has an MDQ of 6,000 MMBtu.
Distrigas	FCS064	15,000	3,335,000	10/31/2010	X		Contract FCS064 is a peaking supply agreement with a maximum daily quantity of 15,000 MMBtu in vaporized or liquefied form for 151 days and an MDQ of 10,000 MMBtu for 365 days. Winter (Nov-Mar) Liquid is limited to 825,000 MMBtus. Colonial liquid can be taken to ALL KEDNE Facilities.

**Shipper: Essex Gas Company**

Supply Company	Contract No.	City Gate MDQ	Annual Quantity	Expiration Date	Company Managed	Released to AMA	Notes
ANE		2,000	730,000	10/31/2006	X		Alberta Natural Gas contract provides Essex Gas a bundled capacity and gas commodity from western Canada at the TransCanada and IRQ interconnect at Waddington, US, for transportation to KEDNE city gates. The contract has an MDQ of 2,000 MMBtu.
BP Canada		830	302,950	4/1/2007	X		Supply Agreement between Essex Gas Company and BP Canada Energy Company that provides gas commodity from western Canada at the Canadian-US border near Niagara, New York on Tennessee for transportation to KEDNE city gates.
NEXEN		831	303,315	4/1/2007	X		Supply Agreement between Essex Gas Company and NEXEN Marketing Company that provides gas commodity from western Canada at the Canadian-US border near Niagara, New York on Tennessee for transportation to KEDNE city gates.
Distrigas	FCS027	6,000	906,000	10/31/2010	X		Contract FCS027 is a peaking supply agreement with a maximum daily quantity of 6,000 MMBtu in vaporized or liquefied form for 151 days. Effective Nov 1, 2004, Essex liquid can be taken to ALL KEDNE facilities.

FIRST SET OF INFORMATION REQUESTS OF  
THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY  
TO KEYSpan ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Respondent: Elizabeth D. Arangio

Information Request DTE 1-5

- Q. Please refer to Exhibit EDA-1, at 12. Explain in detail how "the Asset Optimization Agreement is designed with the specific intent of meeting the critical portfolio objectives of flexibility, reliability and diversity of supplies."
- A. The three primary objectives of the Asset Optimization Agreement that KeySpan has executed with MLCI are: (1) to secure the gas supplies necessary to meet the firm requirements of KeySpan's sales customers over the three-year term of the contract; (2) to establish a structure that will ensure the requisite level of portfolio reliability over the long term; and (3) to maximize the value of the assets contained in the gas-resource portfolio for the benefit of KeySpan customers. Within the context of these three objectives, the overriding issue is one of long-term reliability.

Specifically, the Company is concerned that changes in the marketplace are altering the nature and availability of portfolio-outsourcing services for LDCs. For example, since 1999, when the Company first outsourced its management of the resource portfolio, there has been a drastic decline in the number of actual bidders and a change in the type of entities participating as bidders (*i.e.*, the actual bidders may be financial managers rather than wholesale marketers holding their own portfolio of assets). Significantly, this realization has come within the context of a volatile gas market in the 4<sup>th</sup> quarter of 2005, which resulted from a number of factors including the impact of extensive storms in the Gulf, supply constraints in critical points of the supply chain and ongoing market speculation. This led KeySpan to make the determination that the long-term reliability of the resource portfolio depended upon the Company's efforts to re-establish an in-house capability to manage the gas-resource assets and procure gas on behalf of customers, while also achieving a level of optimization within the available resource pool. Thus, a key feature of the Agreement is: (1) implementation of a forward-looking strategy to re-establish in-house resources and expertise relating to gas-procurement and portfolio-management activities; and (2) modification of the outsourcing arrangement to provide assistance in that effort, while at the same time achieving value for customers.

Under the Agreement, KeySpan and MLCI would work in tandem to manage the resource portfolio, with joint responsibility for procuring and delivering the gas

supply needed to meet the sales requirements of firm sales customers. Under this arrangement, MLCI is required to coordinate with KeySpan to create and review purchasing and asset optimization strategies so that KeySpan can build its expertise on these activities. KeySpan will participate in the day-to-day management of the resources. To that end, the contract is structured to allow KeySpan and MLCI to vary the level of outsourcing that occurs under the contract so that there is flexibility to achieve value for customers while also allowing KeySpan to address its reliability issues.

In addition, KeySpan would pursue optimization transactions with the advice and guidance of MLCI. Similarly, MLCI would have the ability to pursue optimization transactions after consultation with KeySpan to ensure an understanding of the strategies underlying the anticipated transaction. KeySpan and MLCI would consult and coordinate to review market opportunities, develop gas-purchasing and asset-optimization strategies and to ensure adequate gas supplies to KeySpan's citygates. This arrangement would have the direct and intended effect of facilitating KeySpan's efforts to develop the in-house capability to manage the portfolio and to become familiar with the day-to-day activities and strategies that are used to optimize the value of the portfolio for the benefit of customers. As a result, this arrangement will allow KeySpan to develop the level of expertise, human resources and technology resources necessary to put the Company in a position to take over the responsibility for the portfolio at the end of the term, to the extent that this is in the best interest of customers at that time.

The joint management of the Company's resource portfolio by KeySpan and MLCI will ensure the reliability of the Company's portfolio over the long term, and thus satisfies the Company's non-price objectives of "flexibility of nominations, and reliability and diversity of supply." KeySpan Energy Delivery New England, D.T.E. 04-9, at 10.

FIRST SET OF INFORMATION REQUESTS OF  
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D.T.E. 06-9

**REDACTED**

Respondent: Elizabeth D. Arangio

Information Request DTE 1-6

- Q. Please refer to Exhibit EDA-1, at 13. Explain in detail what the Company means by the statement: "[T]he Asset Optimization Agreement represents the highest possible value for customers in light of current market conditions and the need to meet critical portfolio objectives (reliability, flexibility and diversity of supply)." Provide evidence to support the Company's assertion.
- A. Through the RFP process, the Company received bids from four potential parties to which the portfolio could be outsourced (MLCI, ConocoPhillips, Coral Energy Resources and Tenaska Marketing Ventures). After substantial negotiation with all four bidders, KeySpan determined that MLCI offered the highest potential value for customers, combined with a flexible outsourcing arrangement to support future reliability. This flexibility was imperative in terms of allowing the level of participation sought by KeySpan in furtherance of its efforts to reinforce its in-house capabilities to manage the Massachusetts resource portfolio.

In terms of evaluating the proposed arrangement with MLCI versus the bids received from the three remaining bidders, the Company made the following determinations:

1. The revenue-sharing provision of the final bid submitted by Tenaska Marketing Ventures was a fixed payment of \$[redacted] million with [redacted] percent of the excess revenues to be shared with KeySpan customers. However, the bid submitted by Tenaska Marketing Ventures did not include gas-procurement services, which would mean that KeySpan would be responsible for procuring all gas supply under the arrangement. This was not an acceptable arrangement under the terms of the RFP. In addition, this bid did not compare favorably to the proposed arrangement with MLCI, which will provide customers with a \$[redacted] million fixed payment and a [redacted] percent allocation of excess revenues.
2. The revenue-sharing provision of the bid submitted by Coral Energy was a fixed payment of \$[redacted] million with no sharing of excess revenues with KeySpan customers. This bid does not compare favorably to the

proposed arrangement with MLCI, which will provide customers with a \$[redacted] million fixed payment and a [redacted] percent allocation of excess revenues. Based on past experience, customers have received annual revenues in excess of the fixed amount offered by Coral Energy.

3. The revenue-sharing provision of the bid submitted by ConocoPhillips was a fixed payment of \$[redacted] million with no sharing of excess revenues with KeySpan customers. This bid does not compare favorably to the proposed arrangement with MLCI, which will provide customers with a \$[redacted] million fixed payment and a [redacted] percent allocation of excess revenues. Based on past experience, customers have received annual revenues in excess of the fixed amount offered by ConocoPhillips.

Alternatively, ConocoPhillips offered a fixed payment of \$[redacted] million with [redacted] percent of revenues realized between \$[redacted] million and \$[redacted] million to be passed through to customers (total potential value of \$[redacted] per year) and [redacted] percent of revenues over \$[redacted] million. Based on this alternative, KeySpan engaged in extensive negotiation with ConocoPhillips to determine whether the arrangement would afford KeySpan with the opportunity to reinforce the in-house capability to manage the resource portfolio. ConocoPhillips was not willing to accept any arrangement less than a complete outsourcing of the portfolio, wherein KeySpan would cede full control to ConocoPhillips for the contract term. As discussed in response to Information Request DTE-1-5, a complete outsourcing of the resource portfolio for the duration of contract term is an unacceptable alternative for the Company because of its long-term reliability concerns.

Please note that certain information in this response is confidential and, as such, is the subject of a Motion for Confidentiality filed by the Company in this proceeding on January 30, 2006.

FIRST SET OF INFORMATION REQUESTS OF  
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TO KEYSpan ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Respondent: Elizabeth D. Arangio

Information Request DTE 1-7

- Q. Please refer to Exhibit EDA-1, at 14. Discuss whether MLCI has defaulted on its gas supply obligations to customers within the past ten years.
- A. MLCI has not defaulted on its gas supply obligations to customers within the past 10 years. If MLCI had defaulted on this type of obligation, KSCS/KeySpan would not have found MLCI to be an eligible partner for a portfolio-optimization arrangement. It should be noted that KeySpan's reliability concerns in relation to the portfolio-outsourcing arrangement do not stem from a concern with the reliability or expertise of MLCI. Rather, as an LDC responsible for meeting the gas-supply requirements of customers over the long term, KeySpan has a strong concern that there is a lack of portfolio managers in the marketplace with the willingness and/or ability to manage a resource portfolio with the size, complexity and diversity of the KeySpan resource portfolio. Therefore, it is imperative the KeySpan take steps to reinforce its in-house capability relating to the Massachusetts portfolio so that the gas-requirements of customers will be met reliably and safely in the future.

FIRST SET OF INFORMATION REQUESTS OF  
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TO KEYSpan ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Respondent: Elizabeth D. Arangio

Information Request DTE 1-8

Q. Please refer to Exhibit EDA-1, at 19. How long will it take for the Company to develop the in-house capability to manage its Massachusetts portfolio?

A. There are multiple components to managing the Massachusetts resource portfolio, some of which involve activities that are performed by KeySpan even under a traditional outsourcing arrangement, such as the one in place through March 31, 2006. For example, KeySpan currently performs long and short-term forecasting and supply planning; procurement of long-term capacity and gas-supply resources; management of on-system peaking assets, and other operational issues. The two major components of the portfolio-management function that will require the hiring of new staff, extensive training and experience are the procurement and scheduling functions.

Although KSCS currently performs these functions for the New York portfolios, several new staff members will be needed to perform the same functions for the Massachusetts portfolio. For example, the Company will need to hire and train new schedulers and allow them sufficient time to become well-versed in the nuances of scheduling differences in the winter and summer periods. The scheduling of gas deliveries requires a very specific expertise that is not easily transferable from other job functions. In the Company's experience, it takes a minimum of 18 to 24 months to hire and train a fully qualified scheduling group.

Similarly, KeySpan will have to hire and train new staff for the procurement group. In order for the procurement group to become proficient in the Massachusetts portfolio, the Company will require a minimum of 18 to 24 months so that there is the opportunity to experience at least two winter/summer cycles. Each individual receipt and delivery point involves unique operating constraints, flexibilities and price differentials, which can only be learned through actual operating experience.

Lastly, KeySpan will need to hire and train new staff for the accounting group. This expertise is not an area where KeySpan needs to develop a level of expertise since this function is currently performed in-house. However, KeySpan will need to hire new staff to handle the incremental accounting work associated its management of the portfolio.



From an overall perspective, strategies that optimize the value of portfolio assets require a skill set that is developed only through experience in managing the actual physical assets. As KeySpan becomes familiar with managing the procurement and scheduling functions associated with the Massachusetts assets, its expertise will increase. In that regard, KeySpan anticipates that a minimum of two to three years will be required to develop the requisite level of expertise needed to execute and manage strategies that fall within KeySpan's risk tolerance.

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TO KEYSpan ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

**REDACTED**

Respondent: Elizabeth D. Arangio

Information Request DTE 1-9

- Q. Please refer to Exhibit EDA-1, at 21. How much value did KeySpan customers realize through the comprehensive outsourcing arrangement with the MLCI over the past three years?
- A. Please see the chart below itemizing the revenues generated for KeySpan customers by the existing MLCI arrangement, which was approved by the Department in KeySpan Energy Delivery, D.T.E. 04-9.

Period	Customer Fixed Payment	Customer Share of Excess Revenues	Total Customer Benefit
11/02 – 03/03 (1/)			
04/03 - 03/04			
04/04 - 03/05			
<b>Total:</b>			

1/ Contract term only partial year (five months).

FIRST SET OF INFORMATION REQUESTS OF  
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TO KEYSpan ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Respondent: Elizabeth D. Arangio

Information Request DTE 1-10

- Q. Please refer to Exhibit EDA-1, at 22. Explain in detail what the Company means by the statement that "KeySpan would reserve the right to participate in the development of procurement and optimization strategies so that in-house capabilities are strengthened over time."
- A. This statement refers to the fact that, under the proposed Agreement, KeySpan has explicitly reserved the right to participate in MLCI's development of strategies to optimize the resource portfolio. This is not a right that is reserved under the current contract and, as a result, is a *critical* aspect of the arrangement. It is through this interaction that KSCS/KeySpan will have exposure to the expertise that is necessary to procure gas supplies in today's marketplace and to enter into a range of transactions to optimize the value of the portfolio assets. Among the group of (four) bidders, only MLCI was willing to enter into this type of arrangement with KeySpan.

It should also be noted that this is an important aspect of the arrangement because, as a financial entity, MLCI undertakes price-hedging activities and other transactions to maximize the value of the portfolio assets, which are not activities that KeySpan, as a regulated utility, is able to enter into. As a regulated entity, KeySpan's internal risk analysis and risk tolerance will prohibit it from engaging in similar activities. Under the proposed arrangement, MLCI will continue to maximize the value of the portfolio with the optimization strategies available to it as a financial entity. However, at the same time, the proposed arrangement will allow KeySpan to become familiar with optimization strategies that are within its risk tolerance. This arrangement allows KeySpan to be directly involved in the development and execution of a range of procurement and optimization strategies so that over time KeySpan personnel will develop an optimization strategy that fits within its risk tolerance and that will maximize value of the portfolio on behalf of customers.

FIRST SET OF INFORMATION REQUESTS OF  
THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY  
TO KEYSpan ENERGY DELIVERY NEW ENGLAND

D.T.E. 06-9

Respondent: Elizabeth D. Arangio

Information Request DTE 1-11

Q. Please refer to the Agreement for Natural Gas Asset Optimization Services, Exhibit EDA-3, at 19.

- a. Explain the process used to appoint KSCS as KeySpan's "sole and lawful agent for all purposes under or contemplated by this Agreement, with full power and authority to bind, speak for and act for each such KeySpan Utility in all such purposes."
  - b. Demonstrate that KSCS provides the best value for KeySpan customers under the terms of the present Agreement.
- A. (a) KCSC is a services company established by KeySpan Corporation as part of its holding company operations to provide various corporate and administrative services to KeySpan subsidiaries, which includes acting as administrative agent on behalf of the gas-distribution subsidiaries in connection with the procurement of gas transportation and supply services. This structure is very typical of the operation of utility holding companies and provides for administrative and operational efficiency, while ensuring that the cost of the service being provided is properly allocated among the companies receiving the benefit of the service. A copy of the Master Services agreement between KeySpan Corporate Services LLC and the various KeySpan Corporation subsidiaries is filed with the Department on an annual basis, with the most recent version filed on January 10, 2006.

Prior to the merger between Eastern Enterprises and KeySpan, the Gas Supply function serving Boston Gas, Colonial Gas and Essex Gas was centralized within Boston Gas. These functions were transferred to KeySpan Corporate Services effective January 1, 2002. Therefore, the Gas Supply personnel responsible for planning and procuring the gas-resource portfolio for the Massachusetts companies are actually employees of KSCS, which therefore, is the appropriate entity to enter into a binding contract with MLCI on behalf of and agent for the Massachusetts LDC's for gas-management and procurement services.

- (b) Please see the response to part (a), above.